

AR24

Wischer & Partners
Company Limited

Toronto / Montreal / London

220 Bay Street, Toronto
Ontario M5J 1P9
Telephone: 416-366-6996
Telex: 06-22315

TORONTO

N. Gary Van Nest

1973 Annual Report

THOMOROT

AR24

CONSOLIDATED STATEMENT OF OPERATIONS
AND RETAINED EARNINGSfor the Twelve Months ended June 30, 1973
(with comparative figures for 1972)

	\$000's	
	1973	1972
UNAUDITED		
Sales: Engineered Systems	\$15,072	\$10,124
Engineered Products	8,920	8,160
Building Products	7,805	6,837
Total Sales	<u>\$31,797</u>	<u>\$25,121</u>
Earnings before undernoted items	<u>\$ 2,665</u>	<u>\$ 1,784</u>
Provision for income taxes	1,305	942
Provision for minority interests	15	45
Earnings from operations and before extraordinary item	1,345	797
Reduction of income taxes due to losses carried forward from prior years	—	177
Net earnings for the period	<u>1,345</u>	<u>974</u>
Retained earnings beginning of period	890	20
Quarterly dividends on preferred shares	59	104
Dividends on common shares	327	—
Retained earnings end of period	<u>\$ 1,849</u>	<u>\$ 890</u>
Earnings per common share		
Before extraordinary item	29.0¢	17.0¢
After extraordinary item	29.0¢	21.1¢

NOTE: The financial year end is December 31.**Engineered Systems**CIMCO Limited
Allen Tank Limited
Happy Air Exchangers (Canada) Limited
Lewis Refrigeration Co.**Engineered Products**Clare Brothers Limited
EI-Met-Parts
Viking Pump Company of Canada, Limited**Building Products**Lloyd-Truax Limited
F. B. McFarren Limited**Head Office**65 Villiers Street
Toronto, Ontario M5A 3S1**General Counsel**

Blake, Cassels & Graydon

AuditorsTouche Ross & Co.
Chartered Accountants**Transfer Agent and Registrar**Crown Trust Company
Toronto and Montreal**Common Shares**Listed on the
Toronto Stock Exchange
Montreal Stock Exchange**Bankers**The Mercantile Bank of Canada
The Toronto-Dominion Bank**TOROMONT**
INDUSTRIAL HOLDINGS LTD.INTERIM REPORT
TO SHAREHOLDERS

SIX MONTHS ENDED JUNE 30, 1973

To the Shareholders

We are pleased to report continued improvement in the operating results of your company.

In the six months to June 30, 1973 consolidated net earnings increased to \$453,000 or 9.5¢ per share from \$171,000 or 3.3¢ per share in 1972. Sales revenue increased 41% to \$15,943,000 from \$11,280,000 in the same period last year. Provision for income taxes on income derived from manufacturing operations has been calculated at the new rate of 42% established for the year 1973.

Lewis Refrigeration Co.

You were previously advised that effective from June 1 your Company acquired a 61% interest in Lewis Refrigeration Co. of Seattle through the purchase of 600,000 unissued treasury shares at \$3.50 per share.

For the month of June 1973, Lewis lost \$29,000 on sales of \$1,069,000. Toromont's share of this loss has been included in these financial statements. We expect that Lewis will earn a profit in the last six months of 1973.

For your information, we are enclosing a copy of the report sent to Lewis' shareholders for the nine months' period ended June 30, 1973. In this period Lewis reported a loss from operations of \$631,000 on sales of \$8,285,000. Abnormal charges of \$1,266,000 increased the total loss for the period to \$1,897,000. This loss is in line with the financial projections made by your management prior to acquisition. Because these losses occurred prior to the date of our purchase, they do not affect the enclosed financial results of Toromont. As a result of our acquisition of Lewis' shares which injected \$2,100,000 in new capital, Lewis is now in a sound financial position. Organizational changes have been implemented and financial and management controls are being introduced to improve operating results. We have been encouraged by the enthusiastic co-operation and constructive attitude of the Lewis' management and its employees. We believe that these actions will result in Lewis achieving profitable levels of operations for the balance of this year and in future years.

Dividends

In accordance with the previously announced dividend policy, a semi-annual dividend of 2½¢ per common share was declared by your Board of Directors on June 12, 1973 for payment on July 16, 1973 to the shareholders of record on June 29, 1973.

Outlook For 1973

We expect after tax earnings for the full year 1973 to exceed 33¢ per share after provision for preferred dividends and we look with confidence to a continued growth in earnings in 1974.

August 14, 1973

S. J. SINCLAIR
Chairman of the Board

TOROMONT INDUSTRIAL HOLDINGS LTD. and Subsidiaries

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS for the Six Months ended June 30, 1973 (with comparative figures for 1972)

	\$000's	
	1973	1972
UNAUDITED		
Sales: Engineered Systems	\$ 8,763	\$ 4,200
Engineered Products	3,380	3,963
Building Products	3,800	3,117
Total Sales	<u>\$15,943</u>	<u>\$11,280</u>
Earnings before undernoted items	\$ 975	\$ 428
Provision for income taxes	515	240
Provision for minority interests in earnings of subsidiaries	7	17
Earnings from operations	<u>453</u>	<u>171</u>
Reduction of income taxes due to losses carried forward from prior years	—	32
Net earnings for the period	453	203
Retained earnings beginning of period	1,536	717
Dividends declared—common	110	—
—preferred	30	30
Retained earnings end of period	<u>\$ 1,849</u>	<u>\$ 890</u>
Earnings per common share: (note 1)		
Before extraordinary item	9.5¢	3.3¢
After extraordinary item	9.5¢	3.9¢

Note 1: Based on 4,436,269 common shares outstanding and after provision for dividends on 90,025 preferred shares, series A.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS for the Six Months ended June 30, 1973 (with comparative figures for 1972)

	\$000's	
	1973	1972
UNAUDITED		
Source of Funds		
From operations:	\$ 453	\$ 203
Adjustment for charges not requiring the use of funds:		
Depreciation and amortization of fixed assets	185	141
Minority interest in earnings of subsidiaries	7	17
Amortization of pension charges	13	(10)
Sundry	<u>4</u>	<u>(4)</u>
	662	347
Excess of working capital acquired over cost of acquisition of subsidiary companies	50	—
	<u>712</u>	<u>347</u>
Application of Funds		
Additions to fixed assets net of disposals	653	160
Dividends paid	140	30
Dividends paid to minority shareholders of subsidiary company	7	17
Redemption of preferred shares of subsidiary company	18	18
	<u>\$ 818</u>	<u>\$ 225</u>
Increase (decrease) in working capital	<u>\$ (106)</u>	<u>\$ 122</u>

MAY 1 1973

TOROMONT INDUSTRIAL HOLDINGS LTD.**NOTICE OF ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that the Annual and a Special General Meeting of the Shareholders of Toromont Industrial Holdings Ltd. (hereinafter called the "Company") will be held in the Manitoba Room of The Royal York Hotel, Toronto, Ontario, on the 12th day of June, 1973 at the hour of 11 :00 in the forenoon for the following purposes:

- (a) To receive the report of the Directors and to receive and, if thought fit, approve the consolidated financial statements of the Company and its subsidiary companies for the fiscal year ended December 31, 1972, together with the report of the auditors thereon;
- (b) To consider and, if thought fit, sanction, with or without variation, By-Law No. 14 of the Company being a by-law respecting the carrying on of the business of the Company through divisions and the appointment of divisional officers;
- (c) To consider and, if thought fit, sanction, with or without variation, By-Law No. 15 of the Company being a by-law increasing by 100,000 the number of common shares in the capital stock of the Company reserved for issue under the Company's Incentive Stock Purchase Plan;
- (d) To consider and, if thought fit, sanction, with or without variation, By-Law No. 16 of the Company being a by-law decreasing the authorized number of directors of the Company from ten to nine, of whom five shall constitute a quorum;
- (e) To elect directors;
- (f) To appoint auditors and to authorize the directors to fix their remuneration; and,
- (g) To transact such other business as may properly come before the meeting or any adjournment thereof.

DATED at Toronto, Ontario, this 19th day of April, 1973.

By Order of the Board of Directors

F. KRUBERG,
Secretary

NOTE:

If you are unable to attend the meeting in person please date and sign the enclosed form of proxy and return it in the envelope provided for that purpose.

A copy of the consolidated financial statements of the Company and its subsidiaries for the year ended December 31, 1972, a copy of an information circular and a form of proxy accompany this notice.

Copies of By-Laws Nos. 14, 15 and 16 will be available at the meeting.

TOROMONT INDUSTRIAL HOLDINGS LTD.

PROXY INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation of proxies by the management of Toromont Industrial Holdings Ltd. (the "Company") for use at the Annual and a Special General Meeting of Shareholders of the Company to be held at the time and place and for the purposes set forth in the notice of meeting and at any adjournment or adjournments thereof. The solicitation will be primarily by mail, but proxies may also be solicited personally by regular employees of the Company. The cost of solicitation by management will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors of the Company. **A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT HIM AT THE MEETING MAY DO SO** by inserting such person's name in the blank space provided in the form of proxy and striking out the names of the three specified persons or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Secretary of the Company at least 48 hours before the time of the meeting.

A shareholder who has given a proxy may revoke it, as to any motion on which a vote has not already been cast pursuant to the authority conferred by it, by an instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the Company on or before the day preceding the day of the meeting or adjournment thereof at which the proxy is to be used, or with the Chairman of such meeting on the day of the meeting or adjournment thereof.

EXERCISE OF DISCRETION BY PROXIES

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. In the absence of such direction **SUCH SHARES WILL BE VOTED FOR THE SANCTION OF BY-LAW NO. 14, BY-LAW NO. 15, BY-LAW NO. 16, AND THE APPROVAL OF THE AUDITOR'S REPORT AND FINANCIAL STATEMENTS, AND FOR THE ELECTION OF DIRECTORS AND THE APPOINTMENT OF AUDITORS AS STATED UNDER THOSE HEADINGS IN THIS CIRCULAR OR WITHHELD FROM VOTING IF SO INDICATED ON THE FORM OF PROXY.** The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting and with respect to other matters which may properly come before the meeting. At the time of printing this circular the management of the Company knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.

VOTING SHARES

The Company has outstanding 4,336,269 common shares without par value and each of such shares carries the right to one vote at the meeting.

BY-LAWS NOS. 14, 15 AND 16

The special purposes for which this meeting is called are to consider, and if thought fit, to sanction, with or without variation, By-Law No. 14 passed by the directors on August 4th, 1972, By-Law No. 15 passed by the directors on April 12th, 1973, and By-Law No. 16 passed by the directors on April 18th, 1973.

By-Law No. 14 authorizes the Board of Directors to create divisions for the purpose of carrying on the business and operations of the Company; the by-law empowers the Board to appoint divisional officers and to determine their duties, responsibilities and limitations.

By-Law No. 15 increases by 100,000 the number of common shares in the capital stock of the Company reserved for issue under the Incentive Stock Purchase Plan. On June 28, 1971, By-Law No. 11, providing for an Incentive Stock Purchase Plan, was sanctioned and confirmed by the shareholders. Under the terms of the by-law, 100,000 common shares were reserved for the Plan and the directors were authorized to make such rules and regulations with respect thereto as they deem advisable. On March 28, 1972, By-Law No. 13 was

sanctioned and confirmed by the shareholders. This by-law increased the number of common shares reserved for the Incentive Stock Purchase Plan from 100,000 to 288,750. Concurrently with the enactment of By-Law No. 13, the Board of Directors terminated the stock option plan instituted under By-Law No. 8 and cancelled the reservation of 188,750 common shares held for option under that plan. An option for the purchase of 12,500 shares at \$1.50 per share was not exercised and expired May 31, 1972. Under the existing Incentive Stock Purchase Plan only 31,250 shares remain unallocated.

By-Law No. 16 decreases the number of directors of the Company from ten to nine, of whom five shall constitute a quorum.

The above descriptions of By-Laws Nos. 14, 15 and 16 do not purport to be complete and reference is made to the complete texts of the said by-laws which will be available at the meeting.

ELECTION OF DIRECTORS

Subject to By-Law No. 16 being sanctioned by the shareholders, there will be a Board of nine directors of whom five will constitute a quorum. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are submitted herewith. The management is not presently aware that any such nominee would be unwilling to serve as a director if elected. In the event that prior to the meeting any vacancies occur in the slate of nominees submitted herewith the persons named in the enclosed form of proxy reserve the right to vote in their discretion for other nominees as directors. Each director elected will hold office until the next Annual Meeting and until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws.

The following table sets out the name of each of the persons proposed to be nominated for election as a director of the Company; all positions and offices in the Company now held by him; his principal occupation; the year in which he was first elected a director; and the approximate number of shares of each class of the Company that he has advised are beneficially owned by him, directly or indirectly.

<u>Name and principal occupation</u>	<u>Year first became a director</u>	<u>Common shares beneficially owned directly or indirectly</u>	<u>Common stock purchase warrants beneficially owned directly or indirectly</u>
P. F. Fenton, Jr., Boston, Mass. President and Director, Studley, Shupert & Co., Inc.	—	—	—
D. E. Gillespie, Toronto President, Comcore Communications Ltd.	1972	23,000	—
B. B. Lockwood, Q.C., Toronto Partner of Blake, Cassels & Graydon	1971	100	—
A. Marcil, S.M., Montreal Vice-President of the Company; President, Marcil Mortgage Corporation	1965	18,500	7,700
W. A. McKenzie, London, Ont. President, Admac Holdings Ltd.	—	5,000	—
R. A. Scoon, Toronto President of the Company	1971	143,500	—
R. A. Sinclair, Columbus, Ga. Senior Vice-President and Director, Royal Crown Cola Co.	—	—	—
S. J. Sinclair, Toronto Chairman of the Board of Directors and Chief Executive Officer of the Company	1969	416,600	150,000
N. G. Van Nest, Toronto President and Director, Wisener and Partners Company Limited	1969	100,000	20,000

NOTES :

- (1) Mr. P. F. Fenton, Jr. has been President of Studley, Shupert & Co., Inc. of Boston, Massachusetts for the past five years.
- (2) Mr. W. A. McKenzie has been the President of Admac Holdings Ltd. of London, Ontario for the past five years.
- (3) Mr. R. A. Sinclair has been associated with Royal Crown Cola Co. since 1967. Prior to assuming his present position in May 1972, he was President, Royal Crown Cola Co. International from 1969 to 1972 and Vice-President, Royal Crown Cola Co. from 1967 to 1969.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the fiscal year ended December 31, 1972 the aggregate remuneration paid or payable by the Company:

- (a) to the directors of the Company as directors was \$11,000, and
- (b) to the officers of the Company as officers was \$195,000.

No remuneration was paid or payable by the subsidiaries of the Company to any such directors or officers.

INCENTIVE STOCK PURCHASE PLAN

During 1972, the right to purchase 2,500 common shares in the capital stock of the Company was granted to a senior officer of a subsidiary company.

On April 12, 1973, the Board of Directors granted the right to purchase 100,000 common shares in the capital stock of the Company to senior officers of the Company and subsidiary companies, subject only to the confirmation of By-Law No. 15 at this meeting.

Details of the shares purchased under the Incentive Stock Purchase Plan during the past year by directors and officers of the Company and its subsidiaries are as follows:

Date right to purchase was granted and exercised	Number of Shares Purchased By		Price Per Share	Price range of shares on Toronto Stock Exchange in 30 day period preceding granting of option
	Directors and Officers of the Company	Officers of the Company or its subsidiaries		
November 3, 1972		2,500	\$2.50	\$2.20 — \$2.60
April 12, 1973	42,500	57,500	\$3.15	\$2.90 — \$3.25

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the reappointment of Messrs. Touche Ross & Co., Chartered Accountants, Toronto, Ontario, who have been auditors of the Company for more than five years, as auditors of the Company to hold office until the next Annual Meeting of Shareholders.

Dated as of April 19th, 1973.

TOROMONT

INDUSTRIAL HOLDINGS LTD.

Head Office: Toronto, Canada
Phone (416) 465-3518

Toromont is a company with extensive manufacturing operations in Canada and the United States and sales to international markets. The major area of operation and growth is the industrial refrigeration field. Three of the Company's operating units, CIMCO, Allen Tank and Lewis Refrigeration, serve the refrigeration engineering, contracting and equipment requirements of the food processing, petrochemical and recreation industries – all substantial growth markets.

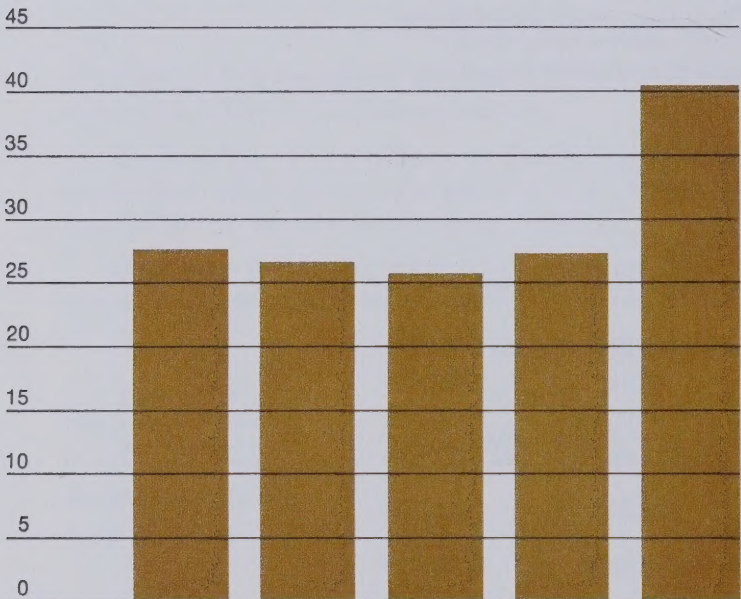
Highlights

	1973	1972
Sales		
Industrial Refrigeration	\$22,127,000	\$11,743,000
Engineered Products	9,870,000	8,269,000
Building Products	8,477,000	7,122,000
	\$40,474,000	\$27,134,000
Net Earnings	1,592,000	1,055,000
Retained Earnings	2,736,000	1,536,000
Earnings per Common Share	34.7¢	23.0¢
Dividend per Common Share	7.5 ¢	5.0¢
Return on Common Shareholders' Equity	19.5%	13.8%

Five year review

Total sales

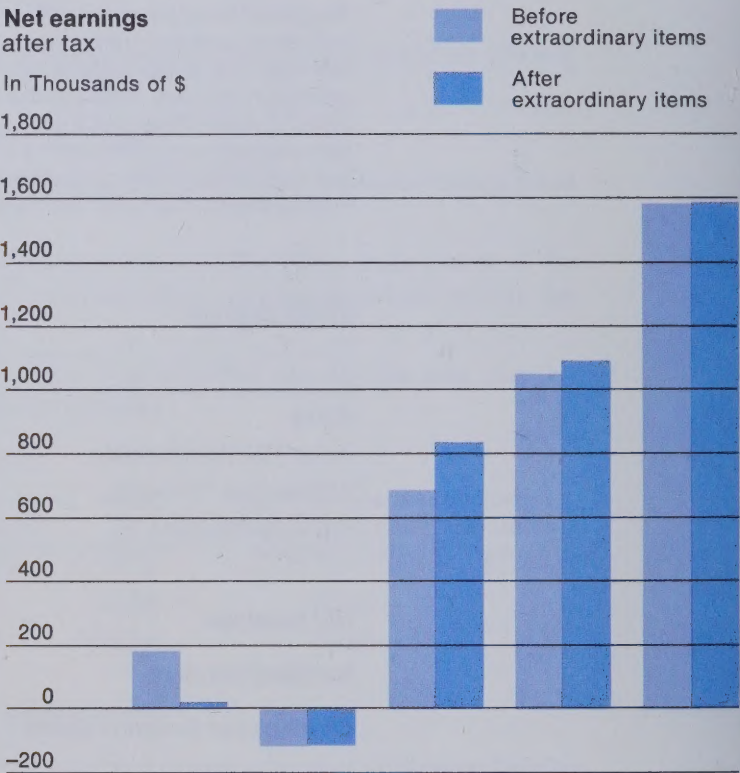
In Millions of \$



1969	1970	1971	1972	1973
\$ 27.6	26.5	25.8	27.1	40.5

Net earnings after tax

In Thousands of \$



	1969	1970	1971	1972	1973
\$ Before extraordinary items	196	(117)	692	1,055	1,592
\$ After extraordinary items	11	(117)	837	1,095	1,592

Earnings per common share

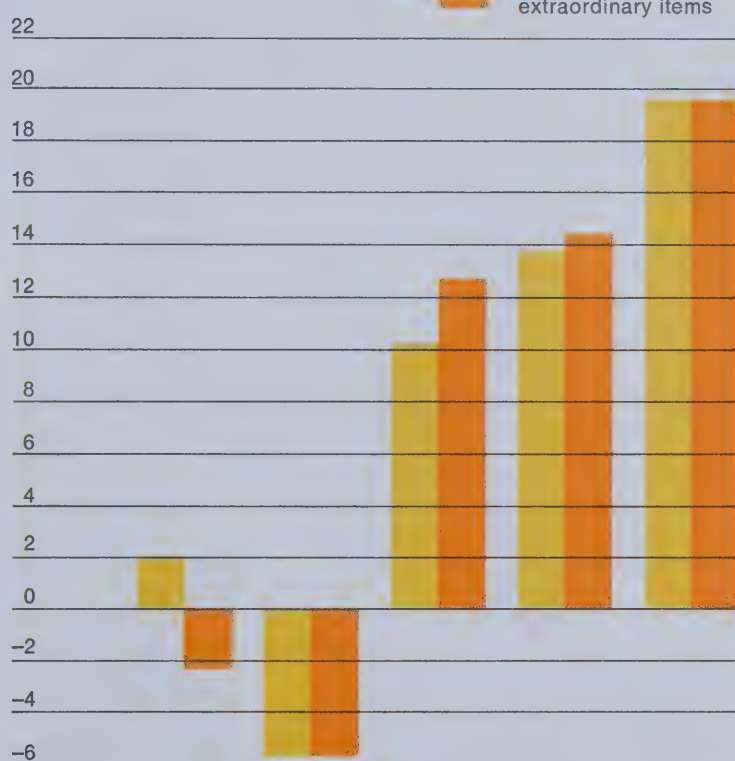
Cents



	1969	1970	1971	1972	1973
¢ Before extraordinary items	2.6	(9.2)	14.6	23.0	34.7
¢ After extraordinary items	(3.0)	(9.2)	18.0	23.9	34.7

Net earnings as a percentage of common shareholders' equity

%



	1969	1970	1971	1972	1973
% Before extraordinary items	2.0	(5.8)	10.2	13.8	19.5
% After extraordinary items	(2.3)	(5.8)	12.6	14.4	19.5

To the shareholders

1973 was a most successful year for your company: sales and profits increased by 50 per cent, and, of even more significance, Toromont emerged as the leader in the industrial refrigeration industry in North America.

The emergence of your company as the largest single force in this industry has been the result of a deliberate policy, adopted after a comprehensive analysis of the industrial refrigeration market in terms of present penetration and growth potential. Our own ability to penetrate and lead this market successfully and – of primary importance – the long term profit outlook for our shareholders were also carefully assessed. These studies, when interpreted in the light of experience already gained in this field in Canada, led your Board of Directors to approve the acquisition in mid-1973 of a 61 per cent interest in Lewis Refrigeration Co., a multi-unit industrial refrigeration operation based in Seattle. Despite the losses suffered by Lewis in 1972 and early 1973, we were convinced that experienced management would enable Lewis to realize its profit potential. Encouraged by early indications confirming Lewis' capabilities, your Directors, in the latter part of 1973, approved an offer for the balance of the outstanding shares of Lewis. The success of this offer raised Toromont ownership to 97 per cent and 100 per cent ownership is expected to be obtained in 1974.

Lewis is presently engaged in a program to enlarge its personnel resources to enable its present staff to increase further their contribution to the long run success of this expanding company.

Some two-thirds of Toromont's 1974 sales will be generated from our industrial refrigeration operations; we expect to substantially increase our share of this growing market currently estimated at more than \$350 million annually in North America alone.

To enable our shareholders to increase their understanding of the industrial refrigeration industry and its markets, we have devoted a major part of this annual report to our operations in this field through our three operating units – CIMCO, Allen Tank and Lewis.

We are concentrating on these activities because together they represent the vanguard of a new and concerted expansion drive. At the same time we must not lose sight of the fact that Toromont's other operations in engineered products and building products showed gratifying 1973 gains in sales and profits.

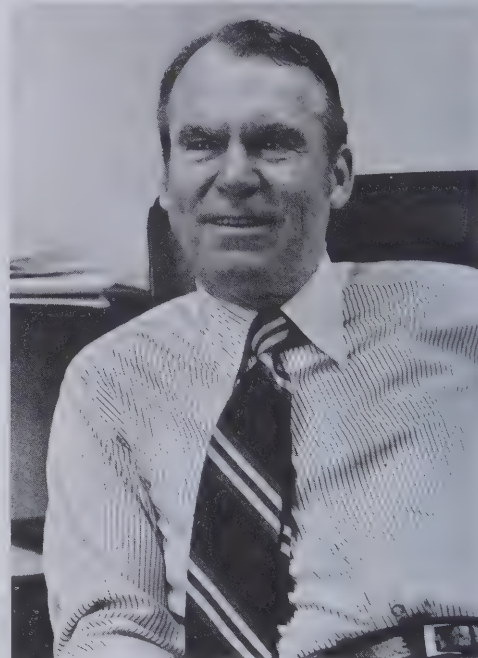
Total results for your company in 1973 were most encouraging and have prompted your Directors to increase the common dividend from 5¢ per share to 7½¢ per share. To our employees a sincere thank you for the considerable contribution they made to our progress.

We look forward to a year of continued growth and progress.



S. J. Sinclair
Chairman of the Board

March 5, 1974



The Board of Directors

P. F. Fenton, Jr., Boston, Mass.
President
Studley, Shupert & Co., Inc.

D. E. Gillespie, Toronto
Consultant

B. B. Lockwood, Toronto
Partner
Blake, Cassels & Graydon

W. A. McKenzie, London, Ont.
President
Admac Holdings Ltd.

A. Marcil, Montreal
President
Marcil Mortgage Corp.

R. A. Sinclair, Columbus, Ga.
Senior Vice President & Director
Royal Crown Cola Co.

S. J. Sinclair, Toronto
Chairman of the Board
and Chief Executive Officer
Toromont Industrial Holdings Ltd.

R. A. Scoon, Toronto
President
Toromont Industrial Holdings Ltd.

N. G. Van Nest, Toronto
President
Wisener and Partners Company Limited

Officers of the Company

S. J. Sinclair
Chairman of the Board
and Chief Executive Officer

R. A. Scoon
President

F. Kruberg
Vice-President, Finance
and Secretary

Officers of Subsidiaries

P. V. Burke
President
Clare Brothers Limited

C. D. Lloyd
President
Lloyd-Truax Limited

N. J. Lucas
President
CIMCO Limited
Allen Tank Limited
Happy Air Exchangers (Canada) Ltd.

J. Papakyriakou
President
El-Met-Parts Division of
Toromont Industrial Holdings Ltd.

R. A. Scoon
President
Viking Pump Company of
Canada Limited

J. A. Simpson
President
F. B. McFarren Limited

S. J. Sinclair
Chairman of the Board and
Chief Executive Officer
Lewis Refrigeration Co.

Head Office

65 Villiers Street
Toronto, Ontario
M5A 3S1

General Counsel

Blake, Cassels & Graydon
Toronto, Ontario
Miller, Anderson, Nash, Yerke & Wiener
Portland, Oregon

Auditors

Touche Ross & Co.
Chartered Accountants

Transfer Agent and Registrar

Crown Trust Co.
Toronto and Montreal

Common Shares

Listed on the Toronto Stock Exchange
and Montreal Stock Exchange

Bankers

The Toronto-Dominion Bank
The Mercantile Bank of Canada

Fiscal Agent

McLeod Young Weir & Company Limited

The Annual Meeting of the
Shareholders of the Company
will be held in the
Civic Ballroom of the
Four Seasons-Sheraton Hotel,
Toronto, at 11:00 a.m. on
April 5th, 1974

**Toromont now the leader
in industrial refrigeration**

Through the combined sales of CIMCO
and Lewis Refrigeration, added in 1973



T Plants and Branches

Food Processing Installations

- 1 to 10
- 11 to 50
- over 50

▲ Major Refrigeration Installations at Petroleum, Petrochemical and Chemical Plants

① Ice Rinks



The Industrial Refrigeration Market

A dynamic growth area served by Toromont through its Industrial Refrigeration units

- **Lewis Refrigeration**
- **CIMCO**
- **Allen Tank**
- **Happy Air Exchangers**

The engineering and installations for the industrial refrigeration field in the United States and Canada offer Toromont a target market estimated to exceed \$350 million a year. There also is a substantial export market.

Toromont's CIMCO unit presently serves more than 50 per cent of the needs of the Canadian market.

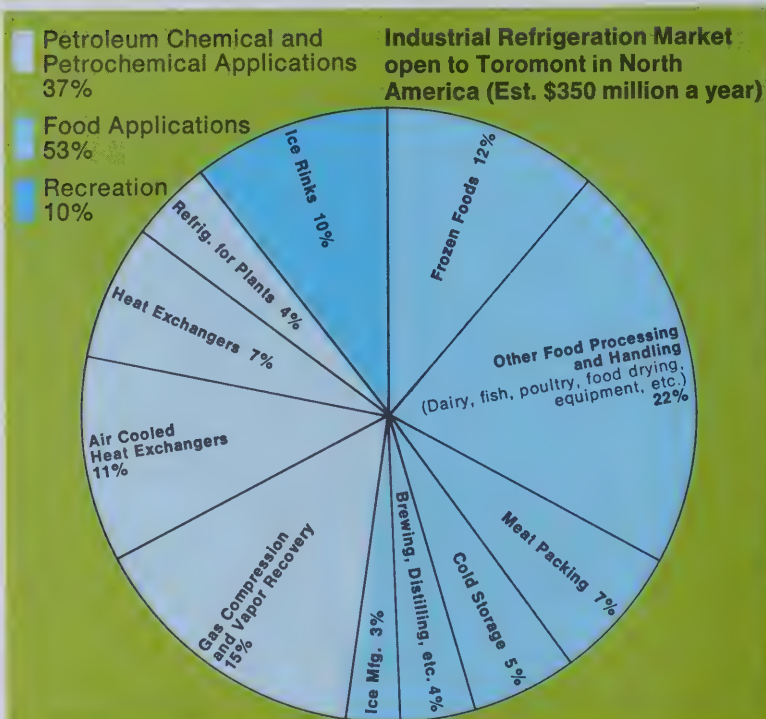
In the United States, Toromont's Lewis Refrigeration unit is the largest engineering and contracting organization in the fragmented industrial refrigeration field. Its sales are 5 per cent of the U.S. market.

By marshalling the skills, personnel, products and market contacts of CIMCO and Lewis, Toromont has positioned itself to greatly expand its penetration of the total industrial refrigeration market in North America and to enlarge important footholds already established in inter-

national markets. Significant in this growth will be the complementary activities of a third Toromont unit, Allen Tank, which provides specialized fabrications for the food, brewing, chemical and petrochemical industries.

Position in the Market

Toromont has achieved substantial levels of penetration and experience in many areas of the industrial refrigeration field. Following are some of the achievements the company brings to the market:



Food applications represent more than half of refrigeration market



Package installations for refinery cooling processes are specialty of Toromont

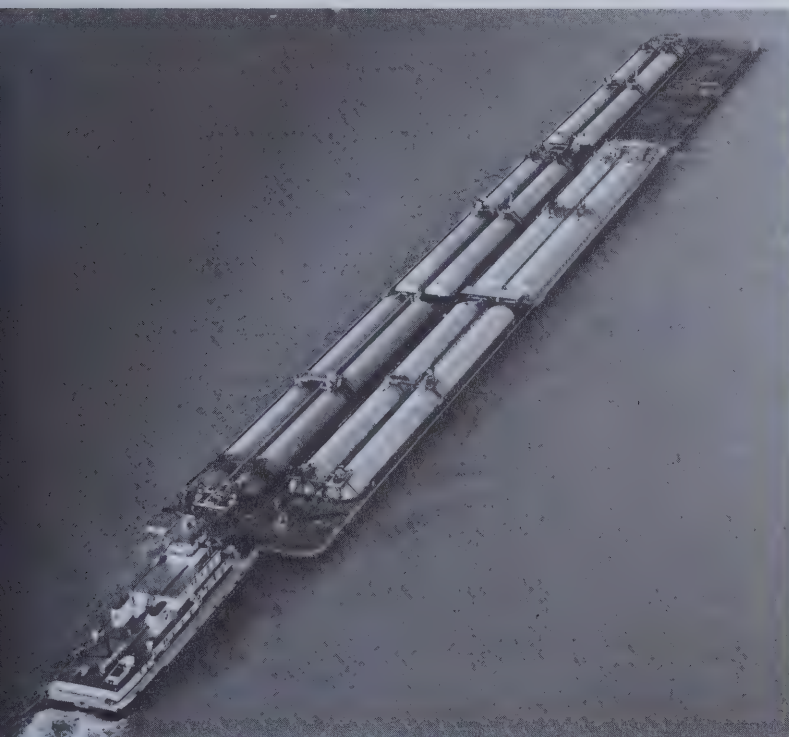


Typical CIMCO installation serves new cold storage warehouse in Halifax.

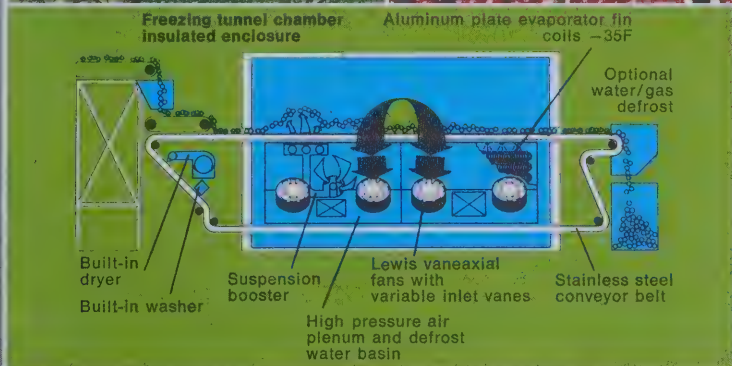


Packaged installation destined for refinery storage facility in Venezuela

- Toromont's Lewis unit is a pioneer in engineering refrigeration equipment for freeze-dry coffee plants. Current contracts include a major expansion of the original installations in Montreal, Hoboken and Houston.
- The company is one of only two Dupont licensees in the world supplying advanced FREON freezing systems for processing delicate-flavored and textured foods like shrimp, corn on the cob and strawberries. The other licensee is in Sweden.
- Toromont's CIMCO unit is a leader in serving the fish processing industry. Fast-growing world markets for fish products will support major capital expansion programs, at East and West Coast plants.
- The company has acquired the North American rights to manufacture and market CIMCO-Atlas Slice Ice Machines.
- CIMCO is the main supplier of refrigeration systems to the meat packing industry in Canada.
- Toromont's Lewis unit has been the pioneer and leader in I.Q.F. (Individual Quick Frozen) systems for more than 25 years. More than two-thirds of the U.S. output of frozen peas, french fries, cut corn and green beans are produced on Lewis I.Q.F. Systems.
- Frozen food processing is growing in world markets, in line with refrigerator and freezer sales. The company has nearly 600 of its systems installed world-wide, including some in the countries of Eastern Europe.
- Frozen processing of mushrooms is a growing market, accelerated by recent isolated problems with canned mushrooms. The company is a leader in this area and recently contracted a major international order for 13 freezer systems for Taiwan, mainly for processing sliced mushrooms.
- The company has installed nearly 1400 ice rinks for skating and curling in Canada and has penetrated the U.S. market. Toromont expects to



Fleets of chemical-carrying barges operate with custom refrigeration packages



The company is the largest supplier of I.Q.F. freezers to the food industry



Tall reactor tower was made by Allen Tank for Ontario refinery



Ammonia booster compressor provides -40F for freezing TV dinners

obtain a major share of the rapidly growing market in the United States which is forecast to reach 500 rinks a year by 1976.

□ The company supplies systems for a wide variety of cooling, liquefying and heat exchange requirements for the petrochemical and refinery industries in the United States. This experience is now available to the Canadian market through the CIMCO and Allen Tank units.

□ In meeting transportation requirements for the petroleum and chemical industries, the company has built and installed refrigeration systems on 43 river barges. Most recently, the company's Houston division has installed twin 200-horsepower units on an ocean-going barge carrying butadiene between Puerto Rico and Texas City.

□ The screw compressor is a major advance in the art of industrial refrigeration compressors and the company

pioneered its application in North America.

□ Under a recent contract, the company supplied a screw compressor with engine drive to a major research company which is testing sections of pipe for use in Arctic oil and gas supply lines.

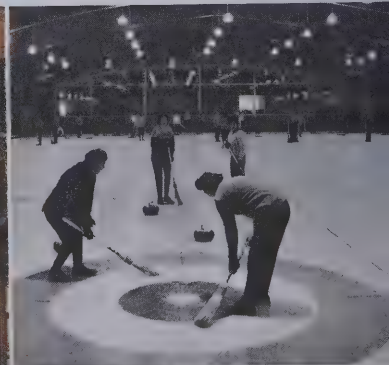
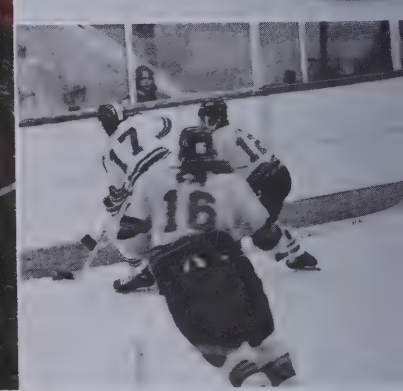
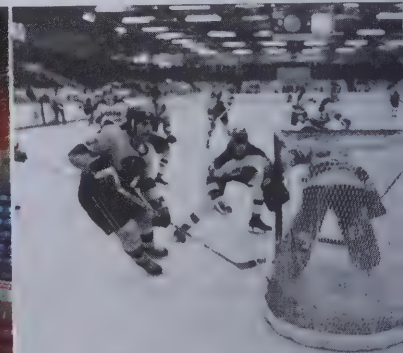
□ Screw compressors provide the answer for the heavy duty requirements involved in

package freezing of convenience foods. A major U.S. company whose plants turn out more than a quarter of a million convenience food items an hour, such as TV dinners and fruit and meat pies, is a customer.

□ The company's "Unipaks" are completely packaged refrigeration systems. They are assembled in Lewis plants on a structural steel skid base for easy transportation. Piping, insulation, wiring and control panels are installed to cut down field construction time.



Ice rinks like this home of Quebec Nordiques hockey team are growth area where Toromont is a leader



Refrigeration plant for Quebec Coliseum was one of 124 installed in 1973. Others were installed as far afield as Florida and Louisiana

□ Key components for freezing and refrigeration systems such as woven wire, conveyor mesh, evaporator coils and heat transfer surfaces, are manufactured at plants in Richmond, British Columbia, Toronto and London, Ontario, for both the U.S. and Canadian markets.

□ Toromont's Industrial Refrigeration operations are major suppliers of refrigeration and carbon dioxide recovery systems to the brewing industry.

□ The company has developed and installed the first ammonia recovery system to facilitate the fabric treating process of a major clothing manufacturer.

□ The company is the prime supplier to the poultry industry in Canada where it has developed an immersion system especially for poultry freezing.

Toromont's Industrial Refrigeration Base

Toromont's Lewis unit has provided the refrigeration industry with many firsts such as:

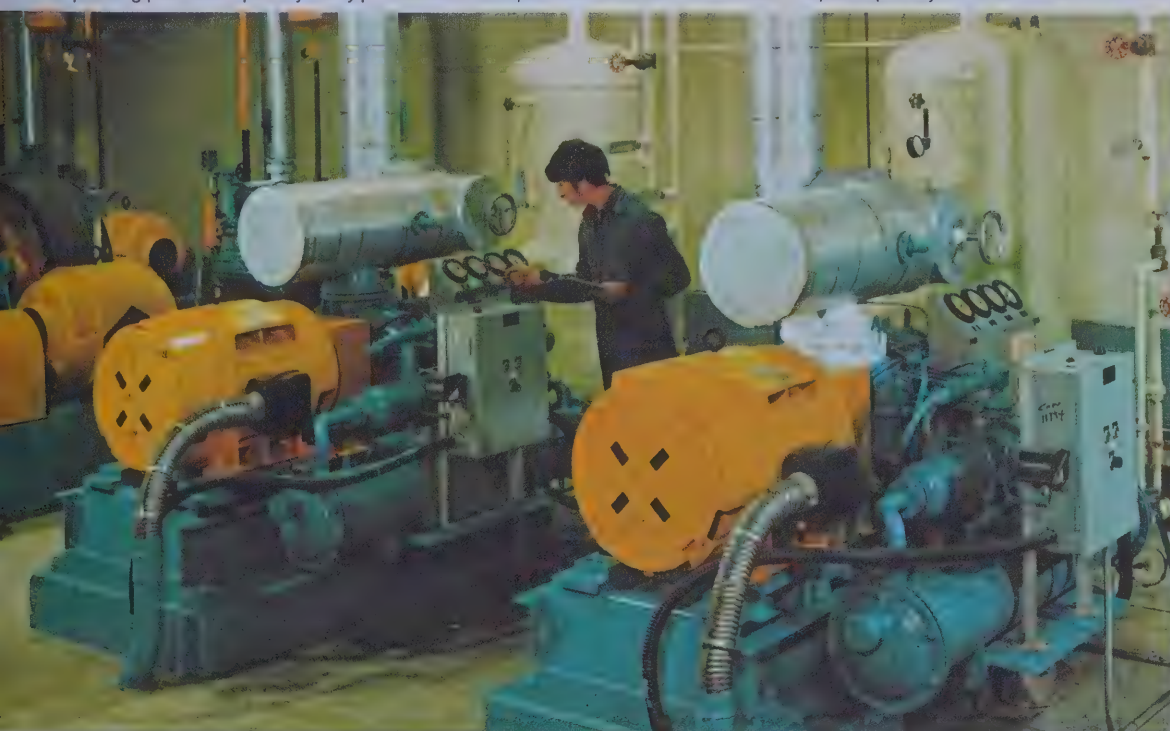
- 1 The first I.Q.F. fluidized vegetable freezer.
- 2 The first rotary screw compressor packages in the United States for ammonia refrigeration.
- 3 The first atmospheric pressure ammonia barge refrigeration systems, built as package units.
- 4 The first ammonia recovery system for fabric treating.
- 5 The first air cooled ammonia refrigeration systems employing rotary screw compressors in the United States.

Lewis also has pioneered the following:

- 1 Atmospheric storage for ethylene/propylene.
- 2 Packaged "Unipak" refrigeration systems.
- 3 Unitization of refrigeration systems.
- 4 Liquid overfeed (liquid recirculation) refrigeration systems.
- 5 Centrifugal liquid pumps for liquid overfeed systems.
- 6 Oil free refrigeration systems.
- 7 Concrete cooling systems employing air blast aggregate cooling.
- 8 Packaged carbon dioxide recovery systems employing oil-free compressors.



Fish packing plants and poultry/dairy processors are important customers for Toromont. Special poultry immersion freezer is shown at work above



Screw compressors, like these at Newfoundland fish plant, and wire mesh belts are key refrigeration components. Mesh belts are made at plant in British Columbia

Engineered Products

Heating and Air Conditioning Equipment

Through factory-trained dealer contractors and wholesalers, Toromont's Clare Brothers unit serves the heating and air conditioning market with a broad line of space heating equipment of our own manufacture and related air conditioning equipment under private label. This operational unit also makes Propane

cooking stoves and sells these directly to Canadian manufacturers of recreational vehicles.

During the past year, we introduced a new line of gas furnaces and redesigned our line of oil furnaces.

Electrical and Electronic Components

Toromont's El-Met-Parts division manufactures basic

components for the electrical, electronic and communication industries. Its stamped steel laminations and wound magnetic cores are fundamental to the manufacture of transformers, motors and fluorescent and mercury lighting ballasts. This division also makes basic components for television sets.

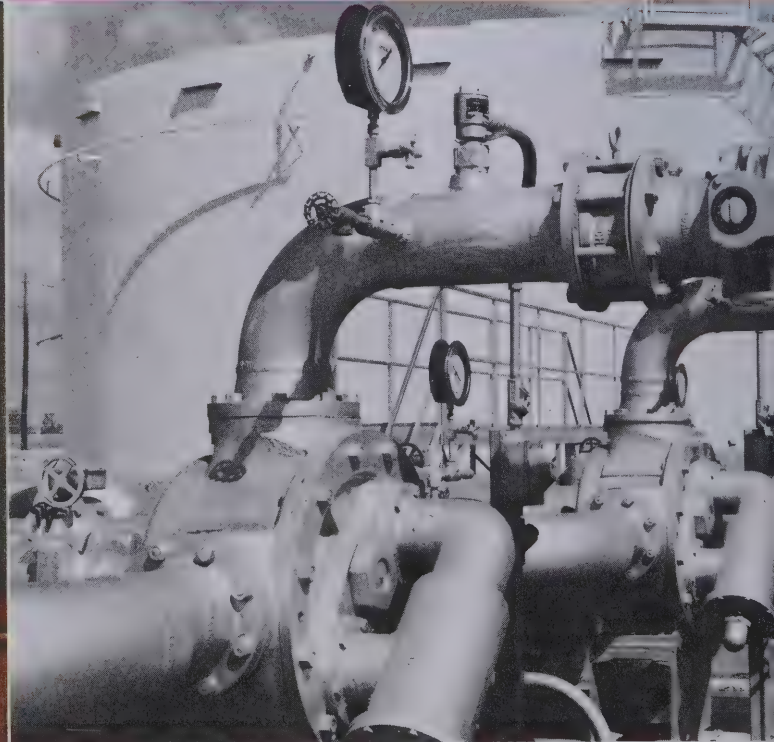
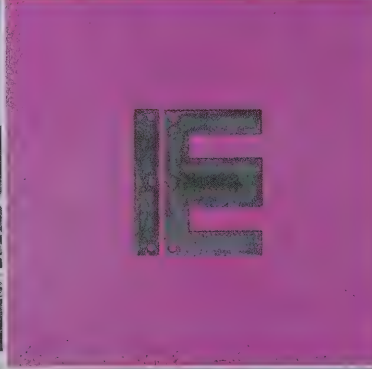
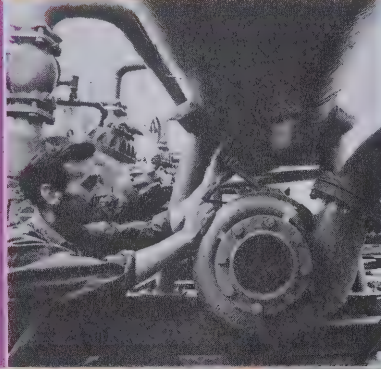
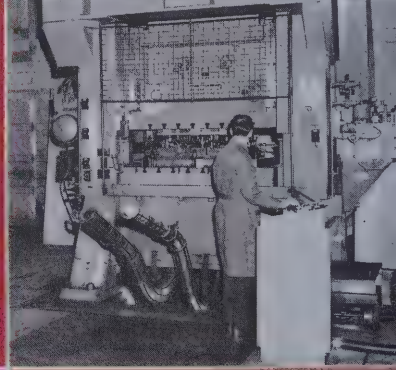
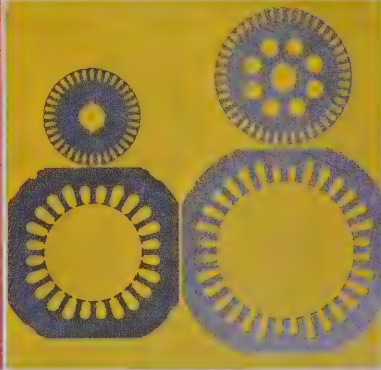
This division is the largest manufacturer of its kind in Canada and has developed a growing export market for its products.

A 40,000 square foot plant in Dundas, Ontario includes a complete facility for the design, construction and maintenance of tool steel and carbide dies.

Another 100-ton Minster high-speed press was added during the past year.

Pumps

From a substantial base as the leading manufacturer of rotary pumps in Canada, Toromont's



Precision components for electrical and electronic industries, pumps and propane stoves reflect range of products.

Photo above shows installation for pumping aviation fuel at Toronto airport

Viking Pump unit is growing both domestically and by expanding its export sales, mainly to Europe and some to the Far East.

Viking installations handle the transfer of liquids or fluids in the petroleum, industrial, chemical, process, marine and refrigeration industries.

Manufacturing facilities are in Windsor, Ontario, and products are marketed through offices and distributors in all major cities across the country.

Building Products

Wood Doors

Toromont's Lloyd-Truax unit is a major manufacturer of wood doors in Canada. Plants are located in Wingham and Walkerton, Ontario, and warehouses and sales offices are in Toronto and Ottawa.

Lloyd doors are recognized for quality and design throughout

the Canadian construction industry and are marketed through retail lumber dealers and wholesale distributors across the country.

Manufacturing capacity was increased with substantial capital investment during the year and a new "Heritage" line of doors was introduced.

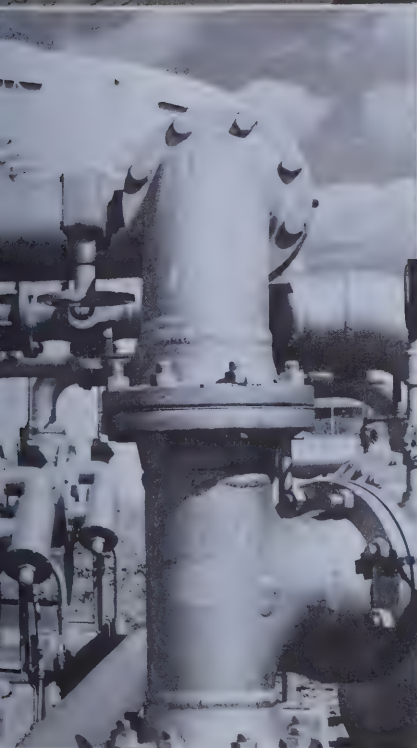
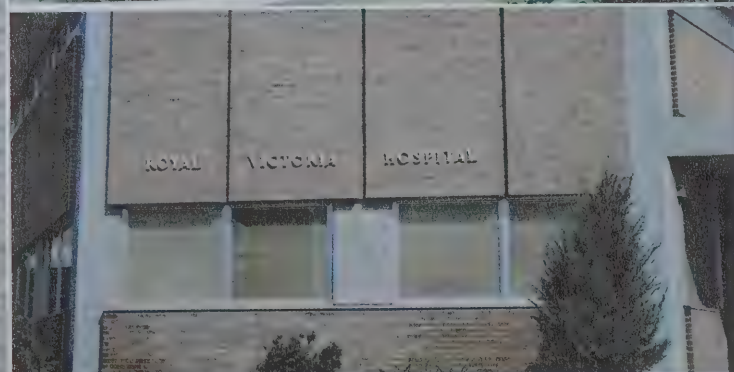
Building and Paving Bricks

Toromont's McFarren unit produces a full range of burned clay brick for the construction industry from a

manufacturing plant and shale quarry on a 61-acre site in the town of Mississauga, Ontario, one of the fastest growing metropolitan areas of Canada.

McFarren bricks have been used in thousands of distinctive homes, apartments, schools, hospitals and other institutional and commercial buildings, mainly in Ontario.

Paving brick, made from burned shale, is used in pedestrian walkways, patios and malls.



Toromont also supplies construction industry with doors and bricks, including paving bricks for malls

TOROMONT

INDUSTRIAL HOLDINGS LTD.

(Incorporated under the
Canada Corporations Act)
and Subsidiaries

Consolidated Balance Sheet

(Thousands of dollars)

December 31

	1973	1972
Assets		
Current assets		
Cash and term deposits	\$ 1,154	\$ 858
Marketable securities, at cost	—	216
Accounts receivable	8,468	5,880
Inventories at lower of cost or net realizable value	6,924	3,885
Prepaid expenses	244	159
Total current assets	16,790	10,998
Other assets		
Notes receivable from employees (Note 4)	600	245
Investments and sundry receivables (Note 2)	652	681
Sundry items	201	117
	1,453	1,043
Fixed assets (Note 1)		
Buildings and equipment, at cost	9,789	7,228
Less accumulated depreciation	5,828	4,397
	3,961	2,831
Land, at cost	313	72
	4,274	2,903
Goodwill, at cost (Notes 1, 5 and 8)	2,688	1,356
	\$25,205	\$16,300

On behalf of the Board

S. J. Sinclair, *Director*

R. A. Scoon, *Director*

(Thousands of dollars)

December 31

	1973	1972
Liabilities		
Current liabilities		
Bank indebtedness (secured)	\$ 3,502	\$ 1,929
Accounts payable	7,364	3,919
Dividends payable	237	231
Taxes on income	297	545
Current portion of long-term debt	163	59
Total current liabilities	11,563	6,683
Long-term debt, less current portion (Note 3)	2,517	196
Deferred income taxes (Note 1)	509	385
Minority interest in consolidated net assets (Note 1)	277	257
Total liabilities	14,866	7,521
Shareholders' Equity		
Capital stock (Note 4)	7,217	6,858
Contributed surplus (Note 4)	386	385
Retained earnings	2,736	1,536
Total shareholders' equity	10,339	8,779
	\$25,205	\$16,300

Consolidated Statement of Retained Earnings

(Thousands of dollars)

Year ended December 31

	1973	1972
Balance at beginning of year	\$ 1,536	\$ 717
Net earnings for the year	1,592	1,095
	3,128	1,812
Dividends declared		
Preferred	59	59
Common – 7.5¢ per share (1972, 5¢ per share)	333	217
	392	276
Balance at end of year	\$ 2,736	\$ 1,536

Auditors' Report

The Shareholders,
Toromont Industrial Holdings Ltd.

We have examined the consolidated balance sheet of Toromont Industrial Holdings Ltd. and its subsidiaries as at December 31, 1973, and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the company and its subsidiaries as at December 31, 1973, and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.
Chartered Accountants

Toronto, Ontario
February 20, 1974

Consolidated Statement of Earnings

(Thousands of dollars)

Year ended December 31

	1973	1972
Sales		
Industrial refrigeration	\$22,127	\$11,743
Engineered products	9,870	8,269
Building products	8,477	7,122
Total sales	40,474	27,134
Costs and expenses		
Cost of sales	32,609	21,730
Selling, general and administrative expenses	4,605	3,042
Interest on long-term debt	150	30
Other interest and financial expenses	204	142
	37,568	24,944
Earnings before undernoted items	2,906	2,190
Provision for income taxes		
Current	1,174	1,083
Deferred	124	27
	1,298	1,110
Earnings before minority interest	1,608	1,080
Minority interest in net earnings of subsidiaries	16	25
Earnings before extraordinary item	1,592	1,055
Reduction of income taxes due to losses carried forward from prior years	—	40
Net earnings for the year	\$ 1,592	\$ 1,095
Earnings per common share (Note 7)		
Before extraordinary item	34.7¢	23.0¢
After extraordinary item	34.7¢	23.9¢

**Consolidated Statement
of Source and
Application of Funds**

(Thousands of dollars)

Year ended December 31

	1973	1972
Source of funds		
From operations		
Net earnings for the year	\$ 1,592	\$ 1,095
Adjustments for charges (credits) not involving use of funds		
Depreciation and amortization	442	300
Deferred income taxes	124	27
Income tax recoveries applied against goodwill (Note 8)	40	—
Recovery of pension charges	—	(35)
	2,198	1,387
Increase (decrease) in long-term debt	2,321	(59)
Sundry items	6	(4)
	4,525	1,324
Application of funds		
Additions to fixed assets, including \$818 on acquisition of subsidiaries	1,813	260
Acquisition of additional shares of a subsidiary	4	370
Goodwill on acquisition of subsidiaries (Note 5)	1,368	—
Dividends declared	392	276
Redemption of preference shares of a subsidiary	36	36
	3,613	942
Increase in working capital	912	382
Working capital at beginning of year	4,315	3,933
Working capital at end of year	\$5,227	\$ 4,315

TOROMONT

INDUSTRIAL HOLDINGS LTD.

and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 1973

1 Summary of Significant Accounting Policies

(a) Basis of consolidation

The accompanying financial statements consolidate the accounts of all subsidiary companies which, with the following exceptions, are wholly owned:

Lewis Refrigeration Co.	- 97.6% owned
CIMCO Limited	- 99.9% of common shares and 98.1% of Class "A" shares owned
Lloyd-Truax Limited	- \$217,000 non-voting preference shares owned by minority shareholders

(b) Foreign Exchange

The accounts of U.S. subsidiaries have been translated into Canadian dollars at par, which approximates the rate of exchange prevailing during the period since acquisition of this group of companies.

(c) Fixed assets and depreciation

Additions to fixed assets are recorded at cost. Depreciation is provided on the diminishing balance basis in substantially all of the companies, at rates which are designed to write off the assets over their estimated useful lives.

(d) Research and development costs

These costs are charged against income as incurred.

(e) Contracting activities

The companies engaged in contracting activities record sales and cost of sales on design and installation contracts on the completed contract method, based on substantial technical completion.

(f) Goodwill

Goodwill arising on the acquisition of subsidiaries is considered to have continuing value in excess of book value and accordingly is not presently being amortized, except as indicated in note 8.

(g) Income taxes

The companies follow the tax allocation method of providing for income taxes. Under this method, timing differences between reported and taxable income result in deferred taxes.

(h) Pension plans

Pension plans maintained by the Company and its subsidiaries are fully funded.

2 Investments and sundry receivables

This item includes the following:

	1973	1972
Bills and mortgages, not currently due	\$ 169,000	\$ 219,000
Cash surrender value of life insurance policies	75,000	60,000
Sundry investments, at cost	408,000	402,000
	\$ 652,000	\$ 681,000

3 Long-Term Debt

The following is an analysis of long-term debt:

	1973	1972
Term bank loans (secured)	\$1,800,000	-
5% unsecured debentures, repayable \$6,490 quarterly	\$ 155,000	\$ 181,000
Mortgage loans, repayable in equal monthly instalments with interest at 6½% to 8¾% maturing 1981	212,000	-
6½% notes, maturing \$30,000 annually	150,000	-
Non-interest bearing note maturing \$83,333 annually	250,000	-
Sundry loans	113,000	74,000
	2,680,000	255,000
Less instalments due within one year	163,000	59,000
	\$2,517,000	\$ 196,000

4 Capital Stock

(a) The authorized and issued shares of capital stock are as follows:

Authorized

739,725 preferred shares, par value \$10 each, issuable in series
10,000,000 common shares without par value

Issued and outstanding

	1973	1972
89,725 6½% cumulative redeemable convertible preferred shares, Series "A" (1972, 90,075 shares)	\$ 897,000	\$ 901,000
4,453,769 common shares (1972, 4,336,144 shares)	6,320,000	5,957,000
	\$7,217,000	\$6,858,000

The preferred shares, Series "A", are convertible into common shares of the Company as follows:

up to July 14, 1975	- 5 common shares for 2 preferred shares.
July 15, 1975 to July 14, 1979	- 2 common shares for 1 preferred share.

The preferred shares are redeemable after July 15, 1974 at par value plus a premium of 3% until July 14, 1977, 2% to July 14, 1980 and 1% thereafter.

Notes to Consolidated Financial Statements

December 31, 1973

- (b) During the year the Company purchased for cancellation 300 of its outstanding preferred shares, Series "A". The difference between the consideration paid for these shares and their par value has been credited to contributed surplus.
- (c) Under the conversion privileges granted to preferred shareholders, 50 preferred shares, Series "A", were converted to 125 common shares during the year.
- (d) During the year, additional common shares were issued under the Company's Incentive Stock Purchase Plan for executives of the Company and its subsidiaries, as follows:

100,000	shares for \$3.15 per share	\$315,000
17,500	shares for \$2.70 per share	47,250
117,500		\$362,250

The prices per share shown above were the market prices at the time of issue. The consideration for the issue of these shares is evidenced by promissory notes, repayable in varying amounts annually until 1983, the remaining aggregate balance of which is \$600,000 (including \$328,000 due from officers of the Company).

- (e) At December 31, 1973 common shares of the Company have been reserved for future issuance, as follows:

	Shares
Under conversion privileges granted to the holders of preferred shares, Series "A" — maximum common shares issuable	224,313
Under conversion privileges related to promissory notes given as partial consideration for purchase of Allen Tank Limited and Happy Air Exchangers (Canada) Limited	46,627
Under the Incentive Stock Purchase Plan	13,750
	284,690

5 Acquisitions

Effective January 1, 1973 the Company's subsidiary, CIMCO Limited, acquired 100% of the shares of Allen Tank Limited, and its affiliated company, Happy Air Exchangers (Canada) Limited. Effective June 1, 1973 the Company acquired a 61% interest in Lewis Refrigeration Co.; through subsequent purchases of minority shares on the open market and by tender, the Company increased its holdings in this company to 97.6%.

These acquisitions have been consolidated using the purchase method of accounting and the results of their operations have been included from the effective dates shown above.

The following are the particulars of these transactions:

	Lewis Refrigeration	Allen Tank & Happy Air	Total
Assets acquired:			
Net book value of assets other than goodwill	\$2,225,000	\$704,000	\$2,929,000
Goodwill acquired by subsidiary		12,000	12,000
Goodwill on acquisition	1,221,000	135,000	1,356,000
	\$3,446,000	\$851,000	\$4,297,000

	Lewis Refrigeration	Allen Tank & Happy Air	Total
Consideration paid:			
Cash	\$3,446,000	\$451,000	\$3,897,000
Promissory notes (See note 3)			
6½ % interest bearing		150,000	150,000
Non-interest bearing		250,000	250,000
	\$3,446,000	\$851,000	\$4,297,000

The non-interest bearing promissory notes issued as partial consideration for the acquisition of the Allen Tank group are convertible at the option of the holder into common shares of Toromont at various dates to December 31, 1977, and at prices ranging from \$4 to \$7 per share.

6 Statutory information

Aggregate remuneration of directors and officers of the Company was as follows:

	1973	1972
	9 Directors (2 officers were also directors)	10 Directors 5 Officers (4 officers were also directors)
Remuneration paid or payable	\$8,000 \$239,000	\$11,000 \$195,000

7 Earnings per common share

Fully diluted earnings per common share have not been shown, as the dilutive effect would not be material in either year.

8 Income Taxes

At the date of acquisition of Lewis Refrigeration Co., that company and its subsidiaries had available losses carried forward for income tax purposes of approximately \$1,300,000. The tax benefit from these losses (approximately \$650,000) will be credited to goodwill as realized. The amount realized and credited to goodwill in 1973 was \$40,000.

9 Commitment

By the terms of an agreement with the minority preference shareholders of Lloyd-Truax Limited, the Company has undertaken to cause that subsidiary to redeem its preference shares at their par value in equal quarterly instalments to 1980. At December 31, 1973, preference shares having an aggregate par value of \$217,000 were outstanding.

10 Legal Actions

The Company and its subsidiary CIMCO Limited, have instituted legal actions against certain parties involved in the sale of the common shares of CIMCO Limited to Toromont in April, 1969, claiming damages and recovery of losses totalling approximately \$4,000,000.

In the major action against the former auditors of CIMCO Limited the Examination for Discovery of the Defendants has been completed and a Certificate of Readiness has been filed with the Court. It is expected that this case will come to trial within the next 12 months.

